

**ROBB EVANS & ASSOCIATES LLC**  
**Receiver of the Assets of**  
**DebtWorks, Inc. and**  
**Andris Pukke**

**REPORT OF RECEIVER'S ACTIVITIES**  
**APRIL 20, 2005 THROUGH JUNE 28, 2005**

This report covers the activities of the Receiver since the inception of the Receivership. This is the first Report to the Court on the progress of the Receivership. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the Receivership.

**Overview**

In its April 20, 2005 Preliminary Injunction Order, this Court ordered the Receiver to file a preliminary inventory and estimate of the value of all Receivership Property within ninety days. The Receiver has made significant progress in identifying such assets, although it has faced impediments from Mr. Pukke, his attorney, and his agents.

Mr. Pukke has not turned over any banking records to the Receiver and, consequently, the Receiver has been forced to request bank statements and underlying documents for entities owned or controlled by Mr. Pukke. The Receiver has also subpoenaed records of other entities whose current ownership status is still under investigation. This Report is being filed prior to the ninety-day deadline so the Court is aware of the progress made by the Receiver to date in uncovering Mr. Pukke's complicated financial position and the troubling issues and unanswered questions raised by its investigation.

Various financial records provided by the Federal Trade Commission and obtained by the Receiver from other sources show that Mr. Pukke or his trusts controlled or maintained assets in excess of \$25 million. As described below, due to a lack of cooperation from Mr. Pukke, the Receiver has not been able to establish the true assets held by Mr. Pukke or his trusts, or the source of receipts to or the disbursements from the trusts.

As described below in detail, during a three-year period ending April 2005, DebtWorks' receipts and disbursements totaled about \$76.2 million. The Receiver continues to seek documents and financial records to investigate the use and validity of these payments made by DebtWorks to Mr. Pukke, his controlled entities, related parties, and others.

The Receiver is waiting on additional documentation to learn the source of \$14 million of \$28 million disbursed from accounts held at Merrill Lynch by Mr. Pukke and affiliates. Concurrently, the Receiver is analyzing bank records, and seeking additional information, to investigate the use of \$12 million of the disbursements from the Merrill Lynch accounts, most of which was paid to Mr. Pukke or entities he owns or controls.

Mr. Pukke is the owner of Infinity Resources Group (Infinity), a financing entity that owns a loan portfolio of 432 loans totaling \$10.9 million. The Receiver has determined that much of the portfolio may be receiving unwarranted borrowing privileges and repayment terms, generating troubling questions about the owner's motives or benefits for such actions.

The following sections describe the assets inventoried to date and those assets or potential assets that are in the process of investigation. It is apparent to the Receiver from the initial investigation of assets that Mr. Pukke's unfettered movement of funds over a period of years, through a number of entities, and to offshore locations, will take significant additional research and investigation, possibly over an extended period of time.

### **Real Property Assets**

The Receiver has identified ten properties that are subject to the Preliminary Injunction Order entered on April 20, 2005. The real property is comprised of five single-family residences, an oceanfront vacant building lot, two commercial properties and a lot in New York. Each property will be discussed in detail below.

#### ***101509 Dahlia Terrace, Potomac, Maryland (Potomac Property)***

The Potomac Property is a single-family residence titled to Mr. and Mrs. Pukke. The property had been listed for sale for approximately one year prior to the appointment of the Receiver. During the listing period, only one offer was made for the Potomac Property. The offer for \$3,175,000.00 was subject to adjustments based on the cost of certain repairs to the property. The offer was made prior to the receivership and was not formally accepted by Mr. Pukke and Mrs. Pukke as a result of the issuance of the Preliminary Injunction Order and was withdrawn by the purchaser.

The Receiver contacted the purchaser after its appointment, and subject to Court approval, the Receiver entered into a Sales Contract dated May 3, 2005. The Receiver filed an emergency motion for an order authorizing completion of the sale. On May 18, 2005 the Court entered an Order Granting Emergency Motion By Receiver For Order Authorizing Receiver To Complete Sale Of Potomac Residential Property and Approving Sale Procedures. On May 31, 2005, the sale of the property was closed and all net proceeds were distributed to the Receiver. Pursuant to the Court's Order approving the sale, the Receiver established two interest bearing bank accounts and deposited fifty percent (50%) of the net proceeds in each account.

***321 Ballenger Creek Drive, Frederick, Maryland (Ballenger Center Property)***

The property was owned by Ballenger/DW, LLC, a Maryland limited liability company (Ballenger LLC). The Receiver reviewed the operating agreement of Ballenger LLC. Ballenger LLC is owned 50% by Mr. Pukke and Mr. Pukke is the Managing Member of the LLC. Tim McCallan is the other 50% owner. Prior to the receivership, Ballenger LLC entered into an Agreement of Purchase and Sale dated March 18, 2005 (Purchase Agreement).

The Ballenger Center Property is an 80,000 square foot commercial office building and an adjoining finished vacant lot. The Purchase Agreement provided for the buyer to acquire the improved portion of the Ballenger Center Property for a cash purchase price of \$8.5 million, paying off all existing liens. The sale was scheduled to close on May 5, 2005. The Receiver entered into an Amendment to the Purchase Agreement, which extended the closing date to a date five days after the Receiver obtained a final and non-appealable order from the Court approving the sale, with an outside closing date of July 5, 2005. The Receiver filed an emergency motion seeking an Order authorizing the Receiver to complete the sale of the Ballenger Center Property. The Court entered the Order approving the sale on May 26, 2005. On June 21, 2005, the Receiver reviewed, approved and executed all necessary documents and the sale closed. On June 22, 2005, the net proceeds totaling \$1,754,365.78, were wired to the Receiver.

***321 Ballenger Creek Drive, Frederick, Maryland (Vacant Lot 4)***

The property is owned by Ballenger/DW, LLC. The 247,984 square-foot finished vacant lot remained after the sale of the Ballenger Center Property. The Receiver obtained a December 2004 appraisal valuing the property in excess of \$1,000,000.00. The property is currently listed for sale.

***6493 Allison Road, Miami Beach, Florida (Florida Residence)***

The Florida Residence is a single-family home in an affluent guard-gated community. The property was purchased in August 2003 for \$1,658,800 and is currently listed for sale at \$2,750,000. Countrywide holds a first trust deed of about \$948,000. Mrs. Pukke resides in the Florida Residence. Title is held in the name of Andris and Pamela Pukke as husband and wife. Mrs. Pukke cooperated with the Receiver in allowing it to conduct an inspection of the home and inventory the personal property in the residence. The Receiver has also ordered an appraisal of the property. Mrs. Pukke, through her attorney, expressed an interest in purchasing the property. The Receiver will determine the appropriate course of action for the property after receipt of the appraisal.

***31 Linda Isle, Newport Beach, California (Pukke Residence)***

The Pukke Residence is titled to Andris Pukke as an unmarried man. According to a broker's opinion of value obtained by the Receiver, the single-family custom residence is worth approximately \$9,000,000. Mr. Pukke has valued this property at \$7,750,000. Washington Mutual holds a first trust deed of about \$5,000,000. The residence is 4,745 square feet and is situated on a 5,580 square-foot lot with ocean views. The Receiver has made a visual drive-by inspection of the property. A scheduled appointment to inspect and appraise the property was abruptly canceled by Mr. Pukke's attorney. The Receiver has not been able to schedule another visit to the property.

***35 Ocean Heights Drive, Newport Coast, California***

This property is titled to Andris Pukke as an unmarried man. According to a broker's opinion of value obtained by the Receiver, the single-family custom residence is worth approximately \$3,800,000. Mr. Pukke has valued this property at \$3,200,000. Washington Mutual holds a first trust deed of about \$1,822,200. The residence is 4600 square feet and is situated on a 14,000 square-foot lot with city light and ocean views. The property is purportedly leased to a Stephen Todd Cook for a three-year period ending June 1, 2007, with no monthly rent payable and an option to purchase the property at a sale price well below market value. Mr. Cook is discussed later in this report. The Receiver has made a visual drive-by inspection of the property. A scheduled appointment to inspect and appraise the property was abruptly canceled by Mr. Pukke's attorney. The Receiver has not been able to schedule another visit to the property. On June 24, 2005, Mr. Cook was served with a demand to vacate the premises and turn over possession of the property pursuant to the Preliminary Injunction Order and the purported lease purchase agreement was rejected by the Receiver.

***3852 Dulles South Court, Suite H, Unit B-8, Chantilly, Virginia***

This commercial condominium is the last unsold unit of a 10-unit commercial building containing a total of 44,500 square feet. Initially, Mr. Pukke owned the 10-unit commercial building (Building B) as an individual. Building B was part of a larger commercial complex. The Receiver was informed that Mr. Pukke had planned on maintaining ownership of the building and leasing out the space, but upon advice of a real estate consultant, decided to convert the warehouse space into 10 individual commercial units, which were marketed as commercial condominiums.

On March 23, 2004, Mr. Pukke entered into an Agreement with a real estate professional consultant operating under the name Claridge Group, LLC (Claridge LLC) to convert the warehouse into commercial condominiums and oversee the marketing of the property. For its services, Claridge LLC would receive 50% of the net proceeds of the sale of the commercial condominiums after Mr. Pukke's initial principal and twenty percent (20%) interest were paid back.

On April 2, 2004, Mr. Pukke assigned all of his interest in the commercial property to a Virginia limited liability company, 3852 Dulles South, LLC. Title to the property is held in the name of 3852 Dulles South, LLC.

On May 31, 2005, the Receiver was advised by Mr. Pukke's attorney that a sale was pending. Upon learning of the pending sale, the Receiver immediately contacted Claridge LLC to investigate the property and analyze the pending offer to purchase.

Claridge LLC has been very cooperative with the Receiver. Claridge LLC provided all documents showing the historical business dealings between Claridge LLC and Mr. Pukke. While the Receiver's review is not yet complete, it appears that Claridge LLC is not affiliated in any way with Mr. Pukke's previous business operations.

The pending offer dated May 16, 2005 is for \$630,750, which is \$145.00 per square foot. The Receiver ordered an appraisal that confirms the offer appears to be a reasonable price.

***4358 North Bay Road, Miami Beach, Florida***

The owner of this property is the Puck Key Investments L-9 LLC. This property is a large waterfront lot facing the bay in Miami Beach. Mr. Pukke purchased the lot on September 4, 2003 for \$7 million. On October 28, 2004, Mr. Pukke listed the property with a local broker for \$9,999,000. Washington Mutual holds a first trust deed of about \$4,200,000.

The Receiver interviewed the listing broker and was advised that the broker recently presented an all cash offer to Mr. Pukke for \$9,300,000 with a 60-day close.

Mr. Pukke did not accept the offer and it was eventually withdrawn. The broker stated that Mr. Pukke advised the broker that he was going to split the large lot into two smaller lots. Mr. Pukke further advised the broker that he would sell one of the lots and that he “would build a fabulous home for his wife” on the other lot. Mr. Pukke has apparently continued to exercise control over this asset in violation of the Preliminary Injunction Order.

The broker believes the highest and best use for the property is to sell it as one large waterfront lot as such lots are very scarce. The Receiver has ordered an appraisal and instructed the appraiser to include an analysis comparing the values of one large lot to two smaller divided lots.

***101 20<sup>th</sup> Street, Unit PH-VC, Miami Beach, Florida (Setai Condominium)***

The Setai Condominium is a penthouse suite facing the city in a high-end 40-story high-rise complex. Mr. Pukke entered into a contract to purchase the property in 2004 and paid \$900,000 as an earnest money deposit. Thereafter, Mr. Pukke apparently did not have the cash required to continue funding the purchase. Reportedly, Mr. Pukke would have lost \$600,000 of the earnest money if he defaulted on the contract. Mr. Pukke contacted Patrick J. Callahan, III (Callahan), who was purportedly willing to fund the remaining balance needed to complete the purchase of the Setai Condominium.

Callahan was aware that the Internal Revenue Service (IRS) had a claim against Mr. Pukke for back taxes. Counsel for Callahan negotiated with the IRS in November 2004 and reached an agreement that the property would be placed on the market immediately and that the IRS liens would only attach to the portion of the proceeds due Pukke.

Shortly after its appointment, the Receiver discovered a \$900,000 disbursement by Pukke and questioned Mr. Pukke’s counsel, John Williams, about the status of the \$900,000 earnest money deposit. Mr. Williams claimed that Mr. Pukke had defaulted on the purchase agreement, lost the earnest money deposit and did not have any further interest in the property. The Receiver first learned that Mr. Pukke had an interest in the Setai Condominium and a pending sale was scheduled to close within days from an attorney for the IRS. The Receiver immediately conducted an investigation by contacting parties involved with the transaction and reviewing documents.

On November 30, 2004, Mr. Pukke and Callahan executed an Operating Agreement of Villa C Acquisition Co. LLC (Villa C LLC). Villa C LLC was formed for the express purpose of acquiring the Setai Condominium. Mr. Pukke and Callahan each hold a 50% “Sharing Ratio” in Villa C LLC.

Callahan purportedly paid a pre-construction deposit of \$3,576,348.14 and has made additional contributions of \$152,064.28. The Operating Agreement provides for both members to receive reimbursement of their out-of-pocket costs and to split the net proceeds equally.

On January 17, 2005, Villa C LLC signed a one-year listing agreement with Majestic Properties for \$5,990,000. On April 3, 2005 an offer to purchase at the property for \$5,800,000 was accepted and the sale was scheduled to close in May 2005. Villa C LLC and the buyer agreed to several amendments extending the closing date. When the Receiver first learned of the pending sale, the Setai Condominium was scheduled to close several days later on June 8, 2005.

The buyer has subsequently agreed to extend the closing date until July 6, 2005, provided the Receiver promptly seeks Court approval of the sale. In response, the Receiver filed an emergency motion on June 24, 2005 for an order authorizing the sale and providing that all net sale proceeds be held by the Receiver until the Receiver is able to complete its due diligence and verify that the proceeds purportedly due Mr. Callahan (which he alleges exceed \$4,100,000) are not, in fact, Mr. Pukke's money or otherwise property of the receivership estate.

The Receiver is extremely concerned about allowing this substantial sum to be paid directly to Mr. Callahan at the close of escrow because he has not been forthcoming about the source of his financial contributions to Villa C LLC, even though the Receiver has offered to enter into a stipulated protective order to protect his privacy concerns. In fact, rather than support the Receiver's motion to sell, on June 24, 2005 Mr. Callahan's law firm, Greenberg Traurig (who previously represented Mr. Pukke and created Pukke's offshore trusts), attempted to trigger an option for Callahan to purchase Pukke's membership interest in Villa C LLC on account of the receivership. In violation of the Preliminary Injunction Order, Mr. Callahan's lawyer demanded an immediate "closing" whereby Callahan would purchase Pukke's ownership interest in Villa C LLC and demanded that the Receiver execute all documents necessary to transfer Pukke's interest. The Receiver's counsel immediately wrote back Mr. Saunders of the Greenberg Traurig firm and advised him that if the demand was not immediately rescinded and withdrawn, the Receiver would seek an order to show cause why Mr. Callahan's lawyers (and, if appropriate, Mr. Callahan) should not be held in contempt on account of these actions.

As a result of the actions of Mr. Callahan, through his counsel, it is not known if the sale for \$5,800,000 million can be timely completed, even assuming it is approved by the Court on an expedited basis.

***New York Building Lot***

This lot is located at 193 Taft Crescent in Centerport, New York. Mr. Pukke has placed a value of \$350,000 on this lot. The Receiver is attempting to obtain additional information about this property.

**Loans**

Mr. Pukke disclosed the following loans to the Receiver:

John Pukke	405,000
Sittee River Wildlife Reserve	3,258,500
Smithberg Medical Arts LLC	2,300,000
Deep Woods Real Estate	2,050,000

**Total loans** **8,013,500**

Mr. Pukke has asserted that he is not aware of any loan documentation for these transactions and, with the exception of the loan to John Pukke, Mr. Pukke has stated that no payments have been made on these loans.

The Receiver is suspicious of these undocumented multi-million dollar transactions and will continue to pursue information on the purported borrowers.

**Trust Assets**

The Federal Trade Commission provided to the Receiver documents that list Eriks Pukke, Mr. Pukke's brother, as the Protector of a domestic trust, The Pukke 2002 Family Irrevocable Trust. The Pukke 2002 Family Irrevocable Trust also holds the interests of Puck Key Investments (L-1 to L-9) LLCs. Additional documents list John Vipulis as the Protector of The P and P II Family Trusts. Mr. Vipulis is discussed later in this report.

Due to the lack of cooperation from Mr. Pukke, the Receiver has not been able to establish the true assets held by these trusts.

In April 2003, the Puck Key Investments L-1 LLC purchased seven units in Canyon Grill Enterprises, LLC for \$700,000 from a private placement offering. The Receiver was informed this entity has built and operates two restaurants. Mr. Pukke has placed a value on this investment at a substantially lower value than his original investment. The Receiver has not yet been able to independently value the asset.

On May 12, 2005 the Federal Trade Commission forwarded the Receiver a letter and attached documents received from a law firm representing Fidelity & Trust Corporation. The documents show the Pukke 2002 Family Irrevocable Trust holds 100,000 shares in this company. The shares were transferred to the Trust on March 12, 2004 in exchange for a \$1,000,000 note in favor of Infinity Resources Group. The original \$1,000,000 note from Infinity was dated June 29, 2001 and the borrowers were two founders of F&T Mortgage, a subsidiary of Fidelity & Trust Corporation. The shares in this company are not actively traded. The Receiver is currently negotiating for the sale of the shares and if negotiations are successful, the proposed sale will be presented to this Court for approval.

MBNA America Bank N.A. is holding an account with a balance of approximately \$121,100 in the name of The Pukke 2002 Family Irrevocable Trust. These funds have not been turned over to the Receiver.

### **DebtWorks Accounting**

Ms. Penny Wilson, the former controller of DebtWorks, turned over to the Receiver DebtWorks' cash receipt and disbursement records for the account at Branch Banking and Trust. Under Tab 1 is a compilation of DebtWorks' receipts and disbursements of this account from February 1, 2002 to April 19, 2005. During that time period the records reflect receipts of about \$76.2 million. Notable disbursements during this period included:

#### **Merrill Lynch \$14,100,000**

The Federal Trade Commission supplied the Receiver with a number of statements for Merrill Lynch accounts. From those statements, the Receiver requested underlying transaction information from Merrill Lynch. The DebtWorks accounting detailed under Tab 1 shows the source of funds for about one half of the deposits came from DebtWorks. The Receiver is waiting on additional documentation from Merrill Lynch to determine the source of the other deposits.

The total disbursements from the Merrill Lynch accounts between July 1, 2001 and October 22, 2004 were about \$28.2 million. Under Tab 2 is a summary of disbursements made from various Merrill Lynch accounts owned or controlled by Mr. Pukke.

Transfers of approximately \$7.1 million to accounts in the name of Mr. Pukke and Puck Key Investments L-1 LLC are under investigation by the Receiver. The Receiver has some bank statements for these accounts and has requested statements it does not have. In addition, the Receiver has requested certain underlying transactions from the financial institutions to determine the ultimate destination of these funds.

On March 19, 2003 \$2,950,000 was wired to the G. Gregory Eagleburger Trust. According to Mr. Pukke's attorney, this was a loan to the Sittee River Wildlife Reserve. Apparently, the Sittee River Wildlife Reserve is located in Belize. No loan documents have been turned over to the Receiver and the nature of this transaction is under investigation by the Receiver.

Between August 10, 2001 and February 20, 2002, \$2,200,000 was disbursed to Infinity Resources Group, Inc. Further detail about the suspicious activities of this company is discussed below.

On November 20, 2003 \$1,213,933.90 was wired to the account of Maple Ventures at Smith Barney. Under Tab 3 are documents Merrill Lynch turned over to the Receiver that show Mr. Pukke listed as a Director and Vice President of Maple Ventures International Corporation, a British Virgin Islands company. The Certificate of Incumbency shows John Vipulis was appointed as President of this company on May 16, 2002 and that Mr. Pukke was appointed as Vice President on February 8, 2002. The documents also show the Merrill Lynch account officer was Jeff Westrick. Mr. Westrick is discussed later in this report. The Receiver has not yet obtained information about the identity of the company president between the dates of Mr. Pukke's appointment and Mr. Vipulis' appointment. The Receiver took steps to freeze the Smith Barney account. On June 7, 2005, Smith Barney informed the Receiver the account totaling about \$1,238,120<sup>1</sup> had been frozen.

On September 18, 2002 \$800,000 was disbursed to KJP Bankruptcy Services and Research, LLC. The Receiver obtained a 2002 Schedule K-1 from the Federal Trade Commission. The K-1 shows Mr. Pukke as the 99% owner. The K-1 also shows 2002 capital contributions were \$2,287,680 and also shows a loss for the same amount. The Receiver is awaiting receipt of banking records from Branch Banking and Trust to determine the sources and uses of funds of this entity.

Between November 29, 2001 and December 28, 2001, \$707,000 was transferred to H. E. Capital S.A. H.E. Capital is discussed below.

***Infinity Resources Group \$4,569,626 (net)***

Federal income tax returns show Mr. Pukke owns this company. Further detail about the suspicious activities of this company is discussed below.

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<sup>1</sup> The value was based on the current market value of certain securities held in the account.

**H.E. Capital, S. A. \$3,129,000**

Under Tab 4 is accounting detail turned over by Ms. Wilson. The accounting detail shows a July 19, 2002 wire to DW Management in the amount of \$1,043,000. The accounting detail also shows two disbursements of \$1,043,000 to Old Pacific Insurance Company on October 15, 2002 and on December 23, 2002. The Receiver compared the accounting detail to the underlying bank transactions obtained from Branch Banking and Trust. The bank documents under Tab 4 show these funds were actually sent to H. E. Capital S.A. in the Dominican Republic. The Receiver will continue to investigate the nature of these transactions.

**Upstate Bank \$1,314,093**

Ms. Wilson informed the Receiver that this was a loan payoff on behalf of Infinity Resources Group. The Receiver intends to subpoena the records for this transaction.

**DW Management Corp. \$1,300,000**

Mr. Pukke was the owner and president of this company that received management fees from DebtWorks. The Receiver is awaiting receipt of documents from three financial institutions to determine the ultimate destination of these funds.

**Janis Pukke \$1,650,000 (net)**

According to Mr. Pukke's attorney, this was a loan to Mr. Pukke's father. No loan documents have been produced to the Receiver.

**Triton Mariculture, Ltd. \$764,000**

This is apparently a Belize company that may have involvement in the shrimp business. The nature of this transaction is under investigation by the Receiver.

**Intermark Communications \$750,000**

The Receiver has no information about this company and is investigating its relationship to DebtWorks.

**Colin & Joan Medhurst \$233,000**

According to Mr. Pukke's attorney, Colin Medhurst is the contact for a loan made from the Merrill Lynch account to Sittee River Wildlife Reserve. The Receiver is investigating this transaction.

## **Infinity Resources Group**

Brian Maller is the manager of Infinity Resources Group, Inc. (Infinity). Mr. Maller has generally been uncooperative but has provided some information to the Receiver. Mr. Maller initially informed the Receiver that the loan portfolio consisted of consumer loans, primarily for the purpose of purchasing used automobiles. Among the first information Mr. Maller turned over to the Receiver was a copy of Infinity's loan trial balance. The Receiver noted that there were many large loans that did not appear to be automobile or consumer loans. When the Receiver queried Mr. Maller about these large loans he replied he had no information on them and that these loans were made at the direction of Mr. Pukke.

On April 27, 2005, Sandy Spring Bank provided the Receiver a copy of Infinity's bank account detail. On that detail was an April 22, 2005 outgoing wire transfer for \$30,000. The Receiver then asked Mr. Maller about this wire transfer and was informed by Mr. Maller that this transfer was to Professional Equity, Inc. According to Mr. Maller, Professional Equity, Inc. is a company owned by Stella Storm, Mr. Pukke's mother. He stated the purpose of the payment was to repay a loan. The Receiver instructed Mr. Maller to seek return of these funds that appeared to have been transferred in violation of this Court's Preliminary Injunction Order. The funds were returned by two wire transfers of \$15,000 each on April 29, 2005 and May 4, 2005. The Receiver later received an electronic version of Infinity's accounting records from Mr. Maller. Nowhere in the accounting records was there a documented loan or capital contribution from Ms. Storm or her purported company.

As the Receiver became increasingly concerned about the lack of candor from Mr. Maller, it contacted the company that processed ACH debits to bank accounts of some of Infinity's borrowers. On June 2, 2005 the Receiver learned that the Infinity depository account at Sandy Spring Bank to which consumer debits were deposited had been moved to Branch Banking and Trust. Under Tab 5 is a copy of the document received by ACH processing company that initiated the change of the Infinity depository bank account. This document was signed by Mr. Pukke on May 6, 2005 in another apparent violation of this Court's Preliminary Injunction Order. The Receiver then requested a copy of the bank statement from Branch Banking and Trust. The statement showed an \$18,787.18 electronic payment to American Express on May 11, 2005. The Receiver contacted American Express and was informed this payment was for one of Mr. Pukke's accounts. The Receiver is awaiting documentation from American Express concerning this apparent violation of the Preliminary Injunction Order.

The Receiver reviewed various loan portfolio data and some partial loan files<sup>2</sup> which were provided by Infinity to the Receiver. The Receiver studied loan portfolio data included in a printed trial balance report as of May 13, 2005, and the partial loan files. The Receiver determined that the loan portfolio includes 432 loans with an aggregate loan balance of \$10,933,051. Delinquency in the loan portfolio appears to be a serious issue and is discussed in more detail below. The balances of loans past due 60 days or more total \$4,458,897, or 40.8% of the portfolio. The average of the delinquency is 399 days, or more than one year past due.

There are also hugely different financial characteristics between segments of the portfolio. There are 28 loans with balances in excess of \$25,000.00 that total \$8,875,339. The 28 loans have an average loan balance of \$316,976 and they comprise 81.2% of the entire loan portfolio. These 28 loans are discussed in more detail below.

From a review of the loan portfolio, the Receiver has determined that many of the 28 loans appear to have serious valuation and collection issues, and may be receiving unwarranted or inexplicable borrowing privileges and repayment terms at the direction of the owner of Infinity, Mr. Pukke. These unorthodox lending practices by the owner of a financing entity generate troubling questions about the motives for, or the benefits from, such actions that seriously damage the value and collectability of the loan portfolio.

The information ascertained to date about the 28 loans gives the Receiver great concern that Infinity may be a conduit for Mr. Pukke's unfettered movement of funds.

The 404 remaining loans in the portfolio have balances less than \$25,000.00 that total \$2,057,712. These 404 loans have an average loan balance of \$5,093 and comprise the remaining 18.8% of the loan portfolio. These 404 loans may be debt consolidation or auto loans.

### **Related Parties and Loan Delinquency**

The partial loan files indicate that several of the 28 loans of \$25,000 or more are outstanding to related parties. Other common characteristics are extreme delinquency without documented collection activity and loans to Mr. Pukke's associates, friends, and possibly affiliated companies. Additionally, there is a uniform lack of financial information, corporate information, or evidence of collateral in the loan files.

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<sup>2</sup> Nearly all loan files do not include a credit application, financial information or tax returns of the individual borrower or entity, property appraisals or descriptions, or any analysis of asset value or ability to repay.

**Related Party Loans**

<u>Name</u>	<u>Loan Balance</u>	<u>Days Past Due</u>
Prudent Choice	\$2,339,725	None (see comments)
John Pukke	\$606,264	None (see comments)
Martingale Associates, LLC	\$597,707	None (see comments)
Ameribanq	\$505,711	None (see comments)
Jeffrey Westrick	\$323,752	None (see comments)
Jeffrey Westrick	\$182,996	None (see comments)
Stephen Todd Cook	\$125,000	102
Keith Waring & Robert Jones	\$77,648	331
<b>Total Related Party Loans</b>	<b><u>\$4,758,803</u></b>	
<b>As % of total 28 Loan Balances</b>	<b>54.0%</b>	

**Prudent Choice**

Prudent Choice is the borrower's name on loan documents that were executed by Christopher Betts from December 2003 to June 2004, and then by an unidentified signer until the present. Prudent Choice may be the borrowing name for Prudent Choice Mortgage, Prudent Choice Affordable Healthcare Solutions, and/or Prudent Choice LLC. Public documents and web site information show the same Irvine, CA address for the three entities. Stephen Todd Cook (Cook) is the agent for service of process for Prudent Choice LLC. One of the Prudent Choice entities apparently now operates out of recently leased premises at 1901 Main Street, Irvine CA. Further detail about Prudent Choice is discussed below.

The loan to Prudent Choice is carried on the portfolio with an interest rate of zero. The loan originated December 2003 for \$128,000. Through a series of renewal / increases through January 2005, the balance increased to \$3,089,725, then decreased to its present level of \$2,339,725. There is no financial information, corporate information, or evidence of collateral in the loan file, or any explanation for the zero interest rate.

**John Pukke**

This unsecured loan to the father of Mr. Pukke was made July, 2002 for \$680,000, disbursed \$580,000 to Maspeth Federal Savings and \$100,000 directly to John Pukke. The loan file indicates the proceeds of \$580,000 were used to pay off a mortgage owed by Riga Realty LLC, of which John Pukke was the managing member, against property owned by John Pukke. A letter dated July, 2002 from an attorney handling the loan payoff confirms that Infinity did not require a mortgage to be executed or recorded to secure the \$680,000 loan. The loan is current, with the last payment received from Riga Realty.

This unsecured loan from Infinity is in addition to the \$1,650,000 net amount disbursed to Janis (John) Pukke from the bank account of DebtWorks, Inc. and the \$50,000 disbursed from the Merrill Lynch account of DebtWorks. None of these amounts reconcile to the \$405,000 identified as a loan to John Pukke by Mr. Pukke.

**Martingale Associates LLC**

The loan to Martingale Associates, LLC originated August 2003 for \$815,000. The promissory note is signed by Mr. Westrick for Martingale Associates, LLC. Mr. Westrick was previously Mr. Pukke's account officer at Merrill Lynch. However, the loan proceeds were distributed directly to Mr. Westrick. The Receiver has confirmed the disbursement of \$815,000 to Mr. Westrick from Infinity's general ledger that was turned over by Mr. Maller. The loan has a 30-year maturity and amortization. There is no financial information, corporate information, or evidence of collateral in the loan file. Martingale Associates, LLC uses an address in Bethesda MD. However, the address for service of process is the Irvine, CA residence of Mr. Westrick.

**Ameribanq**

Ameribanq also appears to operate and receive loan funds as Prudent Choice Mortgage. Both entities use the same address in Irvine, CA and Ameribanq loan schedules reference both entities. Keith Waring is listed on documents as President of Ameribanq and is listed in the website staff directory for Prudent Choice Mortgage. Jeffrey Westrick identifies himself through email traffic as an authorized employee of both entities. Mr. Westrick also executed loan documents for Martingale Associates, LLC.

The \$505,711 loan to Ameribanq originated July 2004 for \$72,811. The promissory notes in file are signed by Mr. Waring. Through a series of 13 renewal/increases through March 2005 the balance increased to its present level of \$505,711 with no reductions. There is no financial information, corporate information, or evidence of collateral in the loan file. Mr. Westrick told a representative of the Receiver that Ameribanq was out of business.

**Jeffrey Westwick**

The loan file turned over to the Receiver by Mr. Maller shows the loans to Mr. Westrick originated in January 2003 for \$334,677 and November 2003 for \$200,000. The documents in the loan file for the \$334,677 loan do not match disbursement information in Infinity's general ledger turned over by Mr. Maller. Infinity's general ledger shows disbursements between August 24, 1999 and December 20, 2000 totaling \$260,000. These disbursements would have been made during the period Mr. Westrick was employed by Merrill Lynch.

Both loans have a 30-year maturity and amortization. There is no financial information or evidence of collateral in the loan file.

**Stephen Todd Cook**

The loan to Cook originated November 15, 2004 with a maturity of December 30, 2009. The trial balance shows the loan is 102 days past due. Infinity has not turned over any loan files or any other information. Cook, who is presented on web sites as a debt expert and co-author of Road to Debt Freedom, filed a voluntary Chapter 13 bankruptcy petition in 1998. He received a bankruptcy discharge in 2001.

The Receiver's investigation and documents recently turned over reveal that Cook lives rent free at 35 Ocean Heights Drive, Newport Coast, California, one of Mr. Pukke's two multi-million dollar homes in Newport Beach, California. Additional information is presented in another section of this report about Prudent Choice LLC and the involvement of Mr. Pukke with this entity.

**Keith Waring & Robert Jones**

The loan to Keith Waring & Robert Jones originated April 2003 for \$87,763, after a series of renewals of an original loan for \$30,000 was made in November 2001. Although Mr. Waring continues as President of Ameribanq, a loan customer of Infinity described above, and is shown as a staff member of Prudent Choice Mortgage described above, his personal loan is currently 331 days past due, with the last payment received January 2004.

The use of the loan proceeds and the actual business activity of the borrowing entities are currently unknown. Because of the current limited information, the probable association of Prudent Choice and Cook with the Ameribanq / Martingale / Westrick / Waring related parties has not yet been fully identified.

These eight loans, totaling \$4.75 million, appear to have serious valuation or collection issues, and may be receiving unwarranted or inexplicable borrowing and repayment privileges at the direction of Mr. Pukke.

**Loan Delinquency**

Delinquency in the loan portfolio appears to be a serious issue, and may indicate the net worth of Infinity as set forth on its books and records is grossly overstated. The balances of loans past due 60 days or more total \$4,458,897, or 40.8% of the portfolio. The average of the delinquency is 399 days, or more than one year past due. More significant within the total delinquency, 14 of the 28 larger loans totaling \$3,813,183.00 are past due 73 to 1427 days (almost four years) and make up 85.5% of all past due loans.

In addition to the delinquency and collection issues discussed above, the following seriously delinquent loans present situations that may be receiving unwarranted or inexplicable borrowing and repayment privileges at the direction of Mr. Pukke:

<u>Name</u>	<u>Loan Balance</u>	<u>Days Past Due</u>
Butler	\$155,894	239
Dean	\$62,838	316
Debt Dynamics	\$146,575	468
Debt Tech	\$196,727	392
Holibaugh	\$1,200,317	362
Maller	\$86,825	316
Millon	\$777,048	1,290
Worldwide Internet	\$200,000	713

**Michael Butler**

Loan originated May 2003 for \$160,000 and increased to \$193,800 July 2003. The purpose may have been to pay off a second trust deed behind a first trust deed of \$486,000. There is an August 2002 appraisal in file for \$670,000, but no copy of a recorded deed of trust or other collateral. The last payment was \$10,000 paid on November 1, 2004 for the payment due August 15, 2004. There is no record of any collection activity.

**Doris R. Dean**

Loan originated December 2003, with a 30-year term and amortization to purchase a house for \$65,000. A recorded mortgage and title policy are in the file. After June 2004, the borrower did not make another payment until May 2005, which paid the June 2004 payment. There is no record of collection efforts or the reason for the 10-month delinquency.

**Debt Dynamics**

The loan originated November 5, 2003 with a maturity of December 30, 2008. The trial balance shows no payments have been made on the balance of \$146,575 and the loan is 468 days past due. Infinity has not turned over any loan files or other information.

**Debt Tech**

Loan originated for \$50,000 June 2001 with Dave Franklin signing for the borrower ProActiv Inc. According to deposition testimony, Franklin worked for AmeriDebt and DebtWorks before establishing the debt counseling agency, ProActiv, Inc. Deposition testimony also revealed that William Sargent, a former officer of AmeriDebt's Florida office, replaced Franklin at ProActiv Inc. and the name was changed to Debt Tech. Through a series of renewal increases, the balance reached \$196,727 in December 2003, when the borrower was Debt Tech, and the promissory note was signed by Kimberly Demarais. The balance remains unchanged and there is no indication of any payments or collection efforts or an explanation for the 392-day delinquency. There is no financial information, corporate information, or evidence of collateral in the loan file.

**Jeffrey Holibaugh**

The loan file indicates this loan originated July 2002 for \$1,141,569 with a 10-year amortization and maturity. The borrower's name is Jeffrey Holibaugh, but Peter Balish signed as a co-borrower. The balance was increased to \$1,330,117 in February 2003 with only the signature of Jeffrey Holibaugh. Since the renewal increase, the payment record has been irregular. Although the last payment was made May 4, 2005, it paid the payment due April 15, 2004. The loan remains 362 days past due. There is no financial information, corporate information, or evidence of collateral in the loan file.

Handwritten file notes dated March 2004 indicate Holibaugh and Balish either own or are associated with the Vida Restaurant and Lounge at 1120 20<sup>th</sup> Street in Washington DC. However, in an Order issued by the Family Law Court in the matter of the Pukke's divorce, the Vida Restaurant is listed as a closely-held business interest of Mr. Pukke.

**Brian Maller**

Two loans were made to the manager of Infinity, who is also shown on the payroll for Prudent Choice LLC. One loan originated November 5, 2003 with a maturity of December 30, 2008 and the second loan originated April 5, 2004 with a maturity of May 30, 2010. The trial balance shows no payments have been made on either loan, with balances of \$53,341 and \$33,484. The loans remain 468 days and 316 days past due respectively. Infinity has not turned over any loan files or other information.

**Anthony (Tony) Millon**

One of three loans originated in July 2001 for \$740,000 with a 30-year maturity and amortization. A credit report indicates serious delinquencies, legal actions, and collections. The borrower made one \$20,000 payment in May 2002, paying interest through January 2002. There is no indication of any other payments. The file includes a copy of a recorded deed of trust on a condominium in Baltimore. There is no appraisal or other indication of value. The file does not contain any description of collection efforts or the reason for the three-year delinquent status.

Another loan originated in January 2005 for \$27,048 to pay "personal expenses". The trial balance indicates no payments have been made.

Another loan originated in January 2005 for \$10,000 for an unknown purpose. The trial balance indicates no payments have been made.

The Receiver left a voice mail on Mr. Millon's telephone and Mr. Millon has not returned the call.

**World Wide Internet Group, Inc.**

This loan originated in March 2003 for \$200,000. The names of Mark Kane and James Catsos are typed on the promissory note as the signers for the borrower, although the copy of the promissory note does not have the signature of Catsos. The trial balance indicates no payments have been made and the loan is past due 713 days. There is no financial information, corporate information, or any evidence of collateral in the loan file.

According to Mr. Pukke's sworn financial statement and supplemental information he provided the Receiver, James Katsos [sic] lives in and owns the property at 1900 Sunset Harbor Boulevard in Miami Beach Fl. Mr. Pukke also has listed this address as his residence and he states that he stays at the Catsos address when he is in Florida.

Based upon all of the information regarding the Infinity loans set forth above, the legitimacy of many, if not all, of the non-consumer loans is open to serious question. Until the Receiver is able to conclude its analysis of Infinity's business, it was proper for the Receiver to suspend Infinity's lending activities, as it has done. The Receiver believes that to allow Infinity to continue its lending activities before the Receiver is able to finalize its investigation risks the potential for continued dissipation of receivership assets. The Receiver continues to demand that the defendants turn over computers with loan portfolio data and the original loan files. Mr. Pukke and Mr. Maller continue to fail to comply with the turnover of books and records required pursuant to this Court's Preliminary Injunction Order.

If the Receiver ultimately suggests that Infinity be liquidated, it will seek Court approval to do so based upon detailed findings after completing its review of Infinity and after it is able to review all loan files and loan documents.

### **Infinity Storage Space**

On June 8, 2005, the Receiver took possession of two storage units at 13200 Wisteria Dr. Germantown, MD. The units contained old office furniture, car parts, and approximately 200 boxes of files. The files contained old records of Ameridebt and Infinity customers, including contracts, sales leads, loan declinations, processing reports, and other documents. There were no loan files on site.

### **DebtWorks' Automobile**

On June 9, 2005, the Receiver obtained possession of a 2003 Mercedes SL500 in Germantown, MD used by Mr. Maller and leased by DebtWorks. The Receiver proceeded to research the value of the vehicle to determine the most cost effective disposition method. The Receiver performed an Internet market evaluation and requested an offer from a local Mercedes dealership to determine if the market value of the vehicle exceeded the lease balance due.

The payoff quote obtained from Mercedes was approximately \$75,500 and was good through June 19, 2005. A local Mercedes dealership offered \$65,000 for the vehicle. In addition, market values were obtained through Kelly Blue Book (KBB) and the National Automobile Dealers Association (NADA). The KBB stated market values averaged approximately \$74,200. The NADA stated market values averaged approximately \$76,400.

Based on this information, it was determined that the vehicle lease should be terminated and the vehicle returned to the local Mercedes dealership.

### **Prudent Choice LLC**

Upon receipt of the Infinity trial balance, the Receiver commenced investigating Prudent Choice LLC (Prudent Choice), Infinity's largest borrower. There are troubling links between Mr. Pukke and Prudent Choice that the Receiver continues to investigate.

Public records list Stephen Todd Cook as the Member of this LLC. This is the same individual that resides in one of Mr. Pukke's California homes rent-free. In addition, the Receiver obtained a life insurance premium statement from American General in favor of Infinity Resources Group Inc. Mr. Cook is listed as an insured employee of Infinity on the statement. The Receiver intends to further investigate this matter.

Prudent Choice is located in Irvine, California. The Receiver in this matter is also serving as Receiver in the matter of Federal Trade Commission v. National Consumer Council et al.(NCC). During the course of that receivership, the Receiver engaged an auctioneer to sell the office furniture and equipment. One large purchaser of the equipment was Prudent Choice. Prudent Choice leased some of the office space that NCC had formerly occupied. Under Tab 6 is a copy of the auctioneer's registration card. The registered bidder for Prudent Choice was Mr. Pukke. The auctioneer received a \$38,813.25 wire transfer from Infinity to purchase the equipment.

During the course of its investigation, the Receiver learned that Ms. Wilson maintains the books for Prudent Choice. The Receiver issued a subpoena to Ms. Wilson for production of accounting records. From a preliminary review of the accounting, the Receiver requested certain invoice documentation from Ms. Wilson. One of the invoices requested was a January 13, 2005 payment of \$49,392.31 to American Express. Documents turned over by Ms. Wilson show the \$49,392.31 payment was for Mr. Pukke's American Express card (Tab 7). Also under Tab 7 is a copy of a \$18,668.35 check produced from Prudent Choice's accounting records. That check reflects the payment was for Mr. Pukke's American Express card.

The Prudent Choice books show a loan due to Infinity of \$2,634,705. To date, the Receiver has not been able to reconcile the \$294,980 difference between this amount and the loan amount of \$2,339,725 as recorded on Infinity's books.

The Prudent Choice books show loans due to Cook totaling \$2,254,990. In response to the Receiver's subpoena, Ms. Wilson replied that she did not have backup for Cook's loans. The Receiver also subpoenaed Cook and Prudent Choice. Under Tab 8 is a letter from Cook objecting to the subpoena. The address on Cook's letter is the same address used by Ameribanq and Prudent Choice Mortgage. The Receiver will continue to investigate the relationship between Mr. Pukke, Prudent Choice, Ameribanq and Prudent Choice Mortgage.

The Prudent Choice payroll records turned over by Ms. Wilson show that Maller is also on this company's payroll. The Receiver has not been able to determine why Maller is an employee of this company.

### **Other Assets**

On April 27, 2005 Sandy Spring Bank informed the Receiver of an account in the name of Equisource Funding Corporation. The account balance was \$3,769.61. Public documents list Mr. Pukke as resident agent for this company. The Receiver confirmed that Mr. Pukke is a signer on this account and the Receiver has requested the bank to transfer the funds to the receivership estate.

Mr. Pukke did not disclose the existence of this asset to the Receiver, another apparent violation of the Preliminary Injunction Order.

### **Preliminary Estimate of Property of the Receivership Estate**

Under Tab 9 is a preliminary inventory and estimated value of receivership property identified to date. The Internal Revenue Service has asserted liens against certain of the receivership estate assets. The information set forth in this report describes why the Receiver is not able to present a more precise inventory at this time.

### **Conclusion**

The Receiver has met significant roadblocks to its ongoing financial investigation as a result of a general lack of cooperation from Mr. Pukke, his counsel and many of his associates. However, based on information obtained to date, the Receiver appears to have uncovered a pattern whereby substantial amounts of money have been transferred over a significant time period through a number of persons and entities, including substantial offshore transfers, for as yet unexplained reasons and apparently lacking business justification. The Receiver further believes that various transfers of funds and other actions taken after April 20, 2005 appear to be a violation of this Court's Preliminary Injunction Order and require further investigation.

After obtaining additional banking and other financial records, and conducting the asset deposition of Mr. Pukke in mid-July, the Receiver hopes to update and further refine the information and analysis contained in this Report.

Respectfully submitted,

/s/

Robb Evans & Associates LLC  
Receiver